Factsheet

Income & Fixed Interest

31 December 2022

Pendal Monthly Income Plus Fund

ARSN: 137 707 996

About the Fund

The Pendal Monthly Income Plus Fund (**Fund**) is designed for investors who want the potential for regular income and some long-term capital growth to protect against inflation, diversification across a range of asset classes and are prepared to accept some variability of returns. The Fund invests in a number of income generating strategies across a range of asset classes, including fixed interest, shares and cash. The Fund may also use derivatives.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the RBA Cash Rate over rolling 3-year periods while allowing for some capital growth to reduce the impact of inflation.

Investment Strategy

The Fund's investment strategy seeks to provide a reliable and consistent income stream that is commensurate with the prevailing cash rate. This will be achieved primarily by exposure to liquid cash and fixed income investments that generally continue to produce income even in times of stress.

The Fund's strategy also seeks to reduce the impact of inflation through exposure to growth assets (namely Australian shares) which will provide investors with the potential for some capital growth.

The Fund invests mainly in fixed and floating credit, government bonds and cash securities as well as Australian shares. The Fund is diversified with the goal of achieving stability and consistency of income over the long term.

Investment Process

Pendal's investment process provides a defensive approach to asset allocation. The process is aimed at preserving capital and minimising the occurrence of adverse income outcomes.

The Fund has a particular focus on managing downside risk and providing a regular, consistent and stable income. It also aims to provide some capital growth in order to reduce the impact of inflation. However, any capital growth that the Fund accumulates over time is secondary to the primary considerations of seeking to provide income and limit downside risk, and specifically limiting capital losses.

Investment Guidelines

Asset class	Range
Cash	0 - 50%
Fixed Interest	20 - 100%
Shares	0 - 30%

Fees and costs

You should refer to the latest Product Disclosure Statement for full details of the ongoing fees and costs that you may be charged.

Management fee[1]	0.65% pa

[1] This is the fee we charge for managing the assets and overseeing the operations of the Fund. The management fee is deducted from the Fund's assets and reflected in its unit price.

Investment Team

Pendal's Income & Fixed Interest team includes eight dedicated investment professionals. The team also draws on a wide range of knowledge resources including Pendal's other specialist investment teams: Equity and Multi-Asset. The portfolio manager of the Fund is Amy Xie Patrick who has more than 17 years industry experience.

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	-0.62	-0.57	0.26
3 months	1.47	1.64	0.70
FYTD	0.70	1.03	1.15
6 months	0.70	1.03	1.15
1 year (pa)	-3.94	-3.31	1.27
3 years (pa)	-0.30	0.35	0.56
5 years (pa)	1.64	2.30	0.87

Benchmark: RBA Cash Rate

Distribution (over the last 12 months)

Month	CPU	Month	CPU
31/12/2022	0.07	30/06/2022	1.0491*
30/11/2022	0.07	31/05/2022	0.15
31/10/2022	0.07	30/04/2022	0.10
20/09/2022	0.07	31/03/2022	0.07
31/08/2022	0.07	28/02/2022	0.07
31/07/2022	0.07	31/01/2022	0.07

* Distribution is large due to year end distribution.

Sector Allocation (as at 31 December 2022)

Government bonds	0.0%
Semi-Government bonds	0.0%
Corporate bonds	58.5%
Mortgage backed	1.1%
Asset backed	0.0%
Australian shares	8.4%
Cash & other	32.0%

Portfolio Statistics (as at 31 December 2022)

Yield to Maturity#	4.35%
Running Yield*	3.62%
Modified duration	2.91 years
Credit spread duration	1.50 years
Weighted Average Maturity	1.62 years

The portfolio yield to maturity is an estimate of the fund's internal rate of return. It is calculated as the yield to maturity of all securities comprised in the benchmark at the relevant time (sourced from Bloomberg), plus our estimate of the weighted average traded margin over the swap rate for each of those securities based on observed market prices. The portfolio yield to maturity does not represent the actual return of the fund over any period.

* The portfolio running yield is calculated as the weighted average coupon rate of the physical portfolio assuming all securities are held at par or face value. Carry/interest income from synthetic positions are excluded from this calculation. Running yield does not reflect the actual income return of the portfolio.

Other Information

Fund size (as at 31 Dec 2022)	$526 million
Date of inception	July 2009
Minimum investment	$25,000
Buy-sell spread[2] For the Fund's current buy-sell spread information, visit www.pendalgroup.com	
Distribution frequency	Monthly
APIR code	BTA0318AU

[2] The buy-sell spread represents a contribution to the transaction costs incurred by the Fund, when the Fund is purchasing and selling assets. The buy-sell spread is generally incurred whenever you invest or withdraw funds, and may vary from time to time without notice.

Risks

An investment in the Fund involves risk, including:

- **Market risk** - The risk associated with factors that can influence the direction and volatility of an overall market, as opposed to security-specific risks. These factors can affect one country or a number of countries.
- **Security specific risk** - The risk associated with an individual asset.
- **Interest rate risk -** The risk associated with adverse changes in asset prices as a result of interest rate movements.
- **Credit risk -** The risk of an issuing entity defaulting on its obligation to pay interest/principal when due.
- **Liquidity risk -** The risk that an asset may not be converted to cash in a timely manner.
- **Valuation risk** – The risk that the value of an investment in a less active or liquid market is lower than what is reflected in the Fund's unit price.
- **Derivative risk –** The risk arising from use of derivatives to manage exposures to investment markets.
- **Counterparty risk –** The risk of another party to a transaction failing to meet its obligations.

Please read the Fund's Product Disclosure Statement (**PDS**) for a detailed explanation of each of these risks.

Fund performance and activity

The Fund returned -0.57% in December (pre fee), underperforming the benchmark by 0.83%. Losses were driven by the fund's duration positioning as well as its minimum allocation to equities.

Three main issues dominated markets in December. The first was one of positive developments on the inflation front, with lower than expected inflation prints in the US, providing support for the Fed to hike by "only" 0.50%. Nevertheless, central banks including the Fed and the ECB continued to remind markets that their anti-inflation crusade was far from over, dampening expectations of any further pivot any time soon.

The second issue was the surprise decision from the Bank of Japan to widen the yield band on their yield curve control operations at the 10 year point of the JGB curve to 50bps from 25bps. Japan's policy rate remains at –0.10%. It has been widely anticipated by the market that the Bank of Japan would need to find an exit for its extraordinary monetary policy at some point, but this was a meeting where no change had been predicted. The market immediately took yields higher across the global fixed income complex, building on the hawkish narrative of the major central banks, and strengthened the yen, with expectation of further policy shifts in coming months. The BoJ decision is unlikley to be a one-hit-wonder, but is also unlikely to have the same VaR shock implications as the RBA decision to abandon YCC in October 2021. Global monetary policy settings and yields have come a long way and Japan is simply starting to fall into line with the actions taken by most central banks over the last year. For Japanese investors, the relative attractiveness of home assets has improved at the margin. However, for global investors choosing between regions to allocate for fixed income investments, markets that have already undergone the majority of their adjustments may still seem more appealing that JGBs where the adjustments have only just begun.

The third issue was China's speedy lifting of Zero-Covid restrictions. Initial headlines were received well by the market, but as case numbers spiked and Beijing moved to eventually stop reporting Covid statistics, there has been more volatility around the exit story. For China, the path to living with Covid will likely be bumpy in the short run, but the outlook for activity and consumption in 2023 is starting to look brighter. More significantly, the rhetoric to support the real estate sector to get back to building is becoming stronger.

Credit markets and risky assets also moved with the ebbs and flows of the three main issues this month. Spreads tightened on the back of better than expected inflation data, but widened in reaction to still hawkish central bank rhetoric and the surprise BoJ move. Credit spreads also initially responded positively to China's U-turn on Zero-Covid, but sentiment became more mixed as China's local outbreaks surged.

The fund's credit position remained broadly unchanged and physical credit spreads narrowed modestly over the month. The industrials, utilities, real estate and infrastructure sectors all contributed to performance this month. We continue to navigate this environment with low credit spread duration and focused on lower beta names. We will look to conservatively add to the accrual of the portfolio replacing maturing securities with sound opportunities should they be available in the primary space.

Our equities allocation remains at its minimum 8%. Although our equities signals indicated it was safe to re-enter equities, we chose to err on the side of caution and wait for the macro headlines and market volatility to subside. Earlier in the month, both models once again signalled to exit equities. In the end, we have simply maintained our 8% minimum equities allocation and avoided the additional turmoil in the second half of December.

Duration continues to be where we choose to tilt our positioning. Although global yields sold off in the second half of December, led by the surprise actions of the Bank of Japan, we have confidence that 2023 will be a much stronger year for duration. Rather than adding positioning through risky assets or even credit, where liquidity can sometimes be patchy, we choose to maintain a decent position in duration for the portfolio. Afterall, with 10 year government bonds in Australia yielding north of 4% at the moment, the bar for taking on other sorts of risk is much higher now than it was a year ago. Duration also appeals as rate hikes start to bite into economic activity through Australian house prices. Whilst recession isn't our base case, we think the coming slowdown in activity will pave the way for yields to fall over the next few months.

For more information please call **1300 346 821**,
contact your key account manager or visit **pendalgroup.com**